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By Judith Miller

Ukraine Has Many Problems, and Only One of Them Is Russia

It has overcome challenges that would have destroyed a less determined country, but there's trouble ahead.

*Україна має багато проблем, і лише одна з них - Росія
Вона пододала проблеми, які зруйнували б менш рішучу країну, але є
проблеми на майбутнє.*

Автор публікації розмірковує над тим, чи «виживе Україна як вільна, незалежна, прозахідна нація». "50 на 50", - сказав мені в ці вихідні в Києві ветеран європейської дипломатії, який добре знає регіон. Його похмуру оцінку повторили багато з 350 діючих і відставних чиновників, вчених, бізнесменів і журналістів, які відвідали 14-ту щорічну конференцію "Ялтинська європейська стратегія", - пише автор. Скоро почнеться четвертий рік від початку «мало інтенсивної» війни з Росією, яка окупувала понад 7% території України. Автор зауважує, що Україна змогла встояти як перед військовою агресією сусіда, так і перед її наслідками, враховуючи економічний занепад, з якого держава почала виходити у 2016 році. Згідно з прогнозами Світового банку, у 2018 році економіка України зросте на 3,5%, а у 2019-му – на 4%, зазначає автор. Та, незважаючи на численні успіхи, все ще залишаються проблеми корупції та уповільнення реформ. Земельна реформа і приватизація 3300 державних підприємств ще не відбулася, при цьому «невдоволення поширюється і зростає», - пояснює автор.

<https://www.wsj.com/articles/ukraine-has-many-problems-and-only-one-of-them-is-russia-1505774887>

Kiev, Ukraine

Ukraine will soon enter the fourth year of a low-intensity war with Russia. More than 7% of its territory remains occupied by its aggressive neighbor. Will Ukraine survive as a free, independent, pro-Western nation?

“It’s 50-50,” a veteran European diplomat who knows the region well told me this weekend in Kiev. His gloomy assessment was echoed by many of the 350 current and former officials, academics, businessmen and journalists attending the 14th annual Yalta European Strategy conference, a two-day gathering sponsored by pro-Western oligarch Victor Pinchuk that has become a popular stop on Europe’s conference circuit. While Ukrainian President Petro Poroshenko expressed confidence in his country’s future, concerns surfaced repeatedly at the meeting’s sessions and more often in quiet, candid conversations.

To its credit, Ukraine has overcome challenges that could have destroyed a less determined country. Russia’s invasion and illegal annexation of Crimea in 2014 and its continuing occupation of part of the Donbas region, Ukraine’s eastern industrial heartland, initially threatened to turn the country into a financial and political basket case. After the invasion, gross domestic product fell 17%, inflation soared to more than 60%, and Ukraine’s currency lost nearly 60% of its value. Yet after two years of contraction, Ukraine’s economy stabilized in 2016 and has started growing again. According to World Bank [projections](#), it will grow by 3.5% in 2018 and 4% in 2019. [Moody’s](#) recently [upgraded](#) Ukraine’s creditworthiness from stable to positive. And this week, Ukraine is [returning to the sovereign debt](#) market by

issuing \$2.5 billion in new Eurobonds, the most important reflection to date of its remarkable recovery.

Much of this is due not only to Western aid and [\\$17.5 billion from the International Monetary Fund](#), but to government reform that has boosted investor confidence. Since Mr. Poroshenko's election in 2014, Ukraine has adopted a business-friendly tax code, closed failing banks and recapitalized others, raised domestic energy tariffs, and enacted a more transparent public procurement system. It has negotiated a free-trade agreement with the European Union, and in June Ukrainians began enjoying visa-free travel to EU countries.

Ukraine is no longer dependent on Russian natural gas, which before 2013 accounted for more than 99% of its supplies. Finally, the country boasts a cantankerous free press and vibrant civil society, empowered by the Euro-Maidan Revolution, the mass public protests in Kiev's main square in 2014 that prompted the corrupt, pro-Russian President Viktor Yanukovich to flee the country.

Yet all is not rosy. Corruption remains endemic and the pace of reform has slowed. Ukraine's civil service ranks second-lowest in effectiveness in Europe, just above Moldova, according to the World Bank Governance Indicators. Government pledges of land reform and the privatization of some of the 3,300 state enterprises have not been implemented. Discontent is widespread and growing.

"The government has done a lot, but not enough," Svitlana Zalishchuk, a young member of Ukraine's Parliament, told participants at the conference. "Reform postponed," warned Suma Chakrabarti, head of the European Bank for Reconstruction and Development, "is transformation [to a post-Soviet society] postponed."

In 2014, under heavy pressure from Western governments and the IMF, Ukraine's government created a new independent National Anti-Corruption Bureau. Kiev also empowered a special prosecutor, who has since opened hundreds of corruption cases. Yet VoxUkraine, a nonpartisan research group critical of the government, asserted that due to corruption in the court system, only three senior officials have actually been jailed since 2016. Prosecutor General Yuri Lutsenko told the conference that three bribe-takers were being prosecuted every day, but even he complained about the delay in creating a special anticorruption court.

Mr. Poroshenko is himself the subject of many corruption rumors and complaints. "The president has not helped overcome corruption," Ms. Zalishchuk asserted last week. Storefronts featuring the chocolate brand Roshen, which helped make Mr. Poroshenko an oligarch, are ubiquitous in the capital. And despite the war, the president stopped making chocolate in Russia only after President Vladimir Putin moved to shut his factory down. Several Ukrainians told me they think their president views his office as a business opportunity first and foremost.

Ukraine spends \$5 billion, or 5% of gross domestic product, on defense. Mr. Poroshenko's appointment of two former business partners to key posts related to military spending has sparked war profiteering charges. "The president is one of the main beneficiaries of the defense budget," Oksana Syroyid, a member of Parliament, told the Kyiv Post.

If demography is destiny, Ukraine also has cause for concern. In this country of 45 million, the annual death rate exceeds the number of live births. Martin Schumacher, the German CEO of wholesaler Metro Cash & Carry Ukraine, estimates that as many as 200,000 Ukrainians, often young and skilled, emigrate each year. "There is virtually no immigration," he said. A tech worker can make three times his Ukrainian salary in Poland. In Germany, he added, salaries are almost 10 times higher.

The number of young political activists is shrinking as well, said Aivaras Abromavicius, Ukraine's former minister for economic development and trade. Whereas 60 of the country's

3,000 graduates of Western schools had senior posts in government a year ago, only about 10 do today. Young activists have become discouraged about the prospects of reform from within, Mr. Abromavicius told me after a conference session. “There are islands of reform and hope,” he said, “but we need more of them.”

Ms. Miller is a contributing editor of City Journal and a Fox News contributor.

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